

## **Governor's Commission on Family Farms**

### **Meeting Minutes**

**October 23, 2002**

**The Governor's Commission on Family Farms met on Wednesday, October 23, 2002 in the Paul P. Borden Conference Room in Kentucky Higher Education Assistance Authority Building in Frankfort, Kentucky.**

#### **Members Present:**

Bill Atkins; Alice Woods Baesler; John-Mark Hack; David Kash; Denise Hoffman; Janet Johnson; Dr. Jennifer Marsh; Steve Moore; Jim Naïve; Al Pedigo; Susan Goddard designee for Secretary Allen Rose; Bonnie Tanner

#### **Members Absent:**

John Berry; Jeff Hall; James Kirby Hancock; Susan Harkins; Sylvia Lovely; Ms. Mattie Mack; Luther Mason; Kenneth Mattingly; John Medley; Charles Miller; William Brandon Reed; Commissioner Billy Ray Smith; Dr. Robert Sparks; Mr. Louie Rivers

#### **Governor's Office of Agricultural Policy Staff Present:**

Joel Neaveill; Bill McCloskey; Edith Fultz

#### **Welcome and Opening Remarks:**

Joel Neaveill - Called the meeting to order, announced that the media has been notified of this meeting and asked for roll call.

Joel Neaveill - Asked for a motion to approve the minutes of the September 25, 2002 meeting. Bill Atkins moved to approve; David Kash seconded the motion. The motion passed unanimously; the minutes were approved

Joel Neaveill – Told us that he is leading this meeting due to Don Halcomb resigning his position. He told us that Mr. Halcomb cited travel, farm responsibilities and his Mother's diminished health as reasons for his resignation. Mr. Neaveill told us that we are looking for a replacement. He also said we need to prepare to elect a chairperson at the next meeting.

John-Mark Hack – Shared a brief format of what he presented to the Agricultural Development Board at their last meeting. He talked about his recommendation, as the lead staff person, as to what should happen with the Agricultural Development Fund after the Patton Administration. He began with talking about the Governor's Commission on Family Farms. He told us that the constitution of the Governor's

Commission on Family Farms is unique among agricultural groups, in the diversity and inclusive nature of the group. There is not another agricultural group that involves more women and men working together on farm family issues and there is not another group that brings together folks from as varied agricultural backgrounds as the Commission. He told us that the Agricultural Development Fund has been attached to the Governor's Office and told us that he isn't sure this is the best course for the Agricultural Development Fund to maintain in light of the fact that the occupant of that office changes every four or eight years and the level of support that this Governor has given to agriculture may or may not be given by the next. It is his belief that the Agricultural Development Board and the Fund should be moved out of the Governor's Office. He feels that the Agricultural Development Fund should be moved to the Finance and Administration Cabinet. He shared copies of the presentation titled *Taking Kentucky Agricultural Development Efforts to the Next Level*. The vision statement is to make agricultural development and diversification a permanent part of public policy in Kentucky by building on the historic foundation laid by the Governor, the General Assembly, the Agricultural Development Board, our county Agricultural Development Councils and the project drivers around the state. The goals and objectives are to take the Agricultural Development Board's efforts to next level of organizational development through the establishment of an independent agriculture finance authority; maintain a streamline state entity by maximizing coordination with existing service providers; increase the number of farm families affected by Agricultural Development Board efforts; enlist the participation of private and public lenders to maintain their local economic function as agricultural lenders. Today's situation is a phenomenal foundation consisting of on farm assistance, strategic investments in value added processing infrastructure, development of new technical assistance efforts. This program is a national model for tobacco states according to the National Governor's Association. It is an unprecedented investment of volunteer time and energy that must be sustained permanently for good of the Commonwealth, but a high number of farm families are not participating.

David Kash asked if there is going to be anything included for the Limited Resource Farmers. Mr. Hack responded, telling us about the reestablishment of the Kentucky Agriculture Finance Corporation and how it will stimulate agricultural lending with low interest loans.

Denise Hoffman talked about the new farm bill and the guidelines that they are working on for assisting limited resource farmers. Mr. Hack talked more about the Kentucky Agriculture Finance Corporation and told us that the purpose of adding a new focus of agricultural lending to the board's activities is to reach people who can't be reached by programs that require a cash match; to enhance the creditworthiness of producers that are getting into new areas of production who don't have a production history or tobacco quota to collateralize a loan and can't get operating capital; to maintain the lending functions of Kentucky owned banks in the agricultural arena, to maintain that important economic function. Most importantly it is to save the resources. As exclusively a grant making agency, when the resources are gone, they are gone. In 2004, if the General Assembly doesn't commit any more funds to the

Agricultural Development Fund what we will have to show for our efforts is an incredible leadership network and hundreds of projects, many of which will succeed for a long time, some of which won't. We won't have an ongoing source of capital to finance new projects. He told us that he recommended to the board that we place a heavy emphasis on revolving finance structures with state funds and give the option to County Councils to use the same approach to the county model programs and new projects so that what we have right now could be perpetuated from now on. Whether the General Assembly puts more money in this or not we can preserve seed capital in a revolving finance structure that is a permanent part of public policy in Kentucky. No other state has anything like this. If we continue the way we are going we are going to deplete our resources. \$300,000,000 dollars has been committed to this agricultural development program.

David Kash asked if the money came from the Phase I money. Mr. Hack responded that approximately \$300,000,000 is the total commitment so far. This is from the biennium, fiscal years 2001-2002 and the current biennium, fiscal years 2003-2004. He gave a breakdown of how the monies are being allocated. He also told us that to date \$96,000,000 in state and county funds have been committed to 770 projects and programs across the state. The Board has about \$36,000,000 at its discretion for the current fiscal year and about \$30,000,000 for the next fiscal year.

Jim Naïve reiterated Mr. Hack's statements that the Phase I money is up for grabs in the next General Assembly biennium. David Kash talked about the limited resource farmers and the importance of grants, 90% cost share or in-kind match programs for people who cannot afford the loans. He emphasized the needs of the true limited resource farmers.

Bill Atkins asked if the next legislature could come in and spend this money in other areas. Mr. Hack told us that the division of tobacco settlement proceeds is established by statute, not by the budget. They are as follows: 50% to Agricultural Development 25% to early childhood development and 25% to a variety of health programs. He told us that the agricultural community needs to be prepared for some very stiff challenges in 2004 for claims to tobacco settlement proceeds. He also told us we could take steps now to ensure that there is a permanent source of seed capital for agricultural development and diversification in the Commonwealth for farm families. There was further discussion regarding this issue. Mr. Hack shared the presentation given to the Agricultural Development Board (copies are available at the Governor's Office of Agricultural Policy). He listed the advantages of the approach.

- Streamlined state staff coordinated with field agencies for program and service delivery, building on present approach.
- Logical structure of business development assistance, capital access and I T assistance for business implementation.
- A broader impact on a larger number of farmers, value added processors and new market development.
- Revolving finance, insuring a permanent source of agricultural diversification development capital into perpetuity.

- Enhance creditworthiness of farmers; enhance involvement of lenders in agricultural finance.

In November he is going to present a draft resolution that contains most of this and depending on the outcome of today's discussion and the discussion in November they will be moving forward in one way or the other. They will either be advocating change in the legislative session or not.

There was discussion about the mission of the Governor's Commission on Family Farms. Mr. Hack commented that he thinks that it will be important, from a public policy sense that the Governor's Commission on Family Farms continues through the next administration. We assume that the next Governor will want to retain this Commission. The Commission can play a very important check and balance role, especially in terms of the activity of the Agricultural Development Board, or the new Kentucky Agricultural Finance Authority. He sees this as one of the Commission's most important roles and functions. It is important for the future leadership of the Agricultural Development Board to know that there is an entity comprised primarily of farm family representatives that are looking at what they are doing to make sure that they are reaching limited resource farmers or make sure that they are accomplishing what was set forth in House Bill 611.

Bonnie Tanner asked where the Kentucky Department of Agriculture fits into this plan. Mr. Hack told us that the Kentucky Department of Agriculture is a regulatory agency that should continue those regulatory functions. The Marketing Division has a very important role to play by providing the technical assistance to producers to ensure that quality standards of particular markets are met.

Jim Naïve asked if the Department of Agriculture were to be a cabinet, would this fit into that cabinet. Mr. Hack responded saying that it could and that his reluctance to attach it in the future to a Governor's Office or a Commissioner's office is that the occupants of those offices change every 4 years. A Cabinet has more permanence in State Government. That is the thinking behind attaching it to the Finance and Administration Cabinet. Also, the programs administered by that cabinet are perceived by the General Assembly to be less political in nature and require more of a hands-off approach. Susan Goddard concurred, saying that the legislature is less likely to pull anything from the Finance Cabinet. There was some further discussion.

Bill Atkins asked Mr. Hack if there had been any consideration of monies for the Commission for projects they may have. Mr. Hack responded, saying this is a good idea, especially if one of the roles of the Commission is to monitor the use of the Agricultural Development Funds to see that they are always channeled for the benefit of farm families. The Commission would need some resources to accomplish that. Ms. Atkins told us that she thought when the Commission started it was to be the monitoring entity, responsible for reporting the good and bad in the development of the tobacco money programs. She said we haven't really done that and expressed that she believes part of it is because the Commission doesn't have any funds to work with.

Mr. Hack responded that this is in part the reason. He said the other reason is that the Commission is attached to the same office that provides staff support to the Agricultural Development Board. That common attachment presents a clear conflict. Mr. Hack suggest that a Governor's Commission always be attached to a Governor's Office to advise a Governor, as Governor and as Chair of the Agricultural Development Board on whether or not Agricultural Development Board programs are actually reaching their intended audience or addressing their intended purpose. He told us that it is important to have the Commission in the Governor's Office and have the Agricultural Development Board in the Finance Cabinet so that the Governor's Office can assess whether or not the Agricultural Development Board is doing what it is suppose to do. Bonnie Tanner referred to the Commission on Women as a comparison.

Alice Baesler expressed concern of having the legislature use future monies for something else if we have a plan in place to save seed money. Mr. Hack responded saying that it is far more risky to do nothing than to establish a plan that ensures a permanent source of seed capital. He also emphasized the importance of the agricultural community coming to terms with how precarious the situation could be in the future. There was some discussion about showing our progress and successes, and proving our need for the funds.

Al Pedigo asked if \$70 million is an adequate amount for seed money. Mr. Hack responded, yes this is enough to start a revolving fund.

Steve Moore asked which of the funding cycles would the \$70 million come from, (2003, 2004). Mr. Hack told us that this would be the place to start and reiterated that he is not suggesting that all of the money remaining at the discretion of the Agricultural Development Board be placed into revolving finance structures, but at the discretion of the Board, some of it be placed into that. He told us that we are going to do the Kentucky Agricultural Finance Corporation. We are in the process of reappointing new members to that entity and moving it to Finance by Executive Order. The first programs are probably going to be introduced in January. Whether a new organizational entity takes place or not the board is going to entertain proposals from the Kentucky Agricultural Finance Corporation to put some state funds into some of those programs. He explained further telling us that the rest of what we are talking about is basically a name change and combining agencies to maximize coordination. There was some further discussion.

Joel Neaveill commented that there are two issues. One is restructuring of organizations, the other is a budget submission for the 2004 session. At this time, we are focusing on the reorganization of something that already exists, (name changes, restructuring). The \$70 million is for the next biennium, January 2004. We don't know what the budget recommendation of the Governor and this program housed within the Finance Cabinet would be. Mr. Hack told us that based on all the reports he has that our legislative support is strong now. Alice Baesler asked what kind of transaction has to take place for this to happen. Mr. Hack responded, that a

reorganization Bill would move the administrative designation of the Agricultural Development Board from the Governor's Office to the Finance Cabinet and within that same Bill, officially naming in statute the Center For Agricultural Development And Entrepreneurship. It was authorized in House Bill 611, the Board funded it and created it, but it has never been statutorily established. Janet Johnson expressed the need for the language to read establishing seed money for marketing. Mr. Hack told us that we have \$43.5 million committed to new market development from the Agricultural Development Fund. Marketing is the number one priority in the long-term plan.

Bonnie Tanner questioned the responsibility of the Kentucky Department of Agriculture in marketing. There was some more discussion about matching producers with markets and the importance of funding for this. Bill Atkins expressed the importance of promotion, education and development. There was some discussion on the role that government should play in marketing for agriculture and education.

Susan Goddard asked for further explanation of the IT component. Mr. Hack told us that it is not well defined at this time. He shared that Internet access among rural Kentuckians is lower than any other population group in the state. Computer ownership is lower among farm families than it is among most other demographic groups in the state. Also, the level of computer literacy among farm families is led primarily by the kids in school, rather than their parents. It is recognition for the need for a tool for farm families to access new markets or existing markets and better manage their operations. We are meeting on Monday with a group of IT people from Connect Kentucky, the Governor's Office of Technology, Farm Bureau, and the Department of Agriculture to look at how those services might best be provided and through what network. Ms. Goddard told us about other computer education options available. Mr. Hack told us that under our Diversification program people can get ½ the cost of computers paid for through their county program now. He told us that people can't just buy the machine, it has to be paired with education and training and must have high-speed service. Ms. Goddard suggested acquiring surplus computers from agencies.

Joel Neaveill asked for input on structural changes of the Governor's Commission on Family Farms. Janet Johnson suggested that the Commission have a more formal process. David Kash asked if there are any Commission Members on the Agricultural Development Board and if we could have a combined meeting. There was some group discussion on this. Mr. Hack suggested that any sort of agricultural policy initiative would need the support of the Governor's Commission on Family Farms.

Bill Atkins suggested that the Commission have a report in Farmers Pride. She said, we should have our identity clarified. Jim Naive – told us that he felt like the Commission should be an agricultural think tank. He mentioned John Berry working with tobacco issues. He also talked about the Entrepreneurship Center, Susan's work with education, and some of the marketing issues. He told us that given time, the group should be able to look into the presentation given today and respond to it.

David Kash asked if our next role is to see that the funding for the Agricultural Development Board stays intact? Bonnie Tanner told us that the Commission is supposed to point out the needs of Kentucky's farmers. Alice Baesler mentioned pushing for the money.

David Kash asked what is our next problem? Mr. Hack talked more about formalizing the role of the Commission as a body where, whoever wants to advance a particular policy agenda knows that it is a routine part of the consideration of agricultural policy initiatives in Kentucky to make a presentation to the Commission and the endorsement or lack thereof carries weight in how that initiative advances or not. Bill Atkins asked for examples, Mr. Hack responded that today's presentation was one example and another was a memo that the Kentucky Department of Agriculture passed out to the Board on Friday outlining the marketing needs of the Division of Marketing and value added product promotion. If the Commission were playing that role now it would be assumed that anyone who wanted to make a major policy change or take a policy initiative would have to get the Commission's feedback as a group. There was some comparison made to the Commission on Women and some explanation.

David Kash asked how do we get from here to there? How do we go back and say we want to have an input? Mr. Hack shared the feedback he got from us during his presentation today. Bill Atkins and Alice Baesler talked about publicizing the group. Bonnie Tanner voiced that she feels the Commission should be more policy oriented. Janet Johnson expressed the importance of the Governor's office acknowledging the Governor's Commission. There was some further group discussion on the Commission and it's identity. Mr. Hack told us the if a new entity is created, the Governor's Commission on Family farms needs to stay with the Governor's office, and should not be housed with the Agricultural Development Board, it needs to be monitoring what the Agricultural Development Board does. Bonnie Tanner talked about the short window of time that we have had. Jim Naïve talked about David and Denise's concerns about Eastern Kentucky and that this commission could do a white paper on it, as to how the Agricultural Development Board could be more effective for limited resource farmers.

Mr. Hack asked for some resolution. Mr. Neaveill consolidated the list of recommendations as follows:

- Formalization of policy review recommendations
- Publication/ promotion of those statements
- Identify resources to fulfill those roles including money for staff support

Mr. Neaveill put together the motion, Bill Atkins moved to approve and Alice Baesler seconded the motion. The motion passed without objection.

Mr. Hack offered to draft the resolution.

### **Model Programs**

**Marketing** - Mr. Neaveill proposed to view model programs. He introduced Devon Hankins, who gave a Marketing presentation. Ms. Hankins told us that there are three focus groups: Governor's Office of Agricultural Policy staff, Farm Bureau and the

Kentucky Department of Agriculture. Much of what we are doing is trying to help people develop vision. We want to increase and enhance the number of venues for Kentucky producers to access. She told us there are three main components. Ms. Hankins talked about the application process and told us that there will be a \$500 per person limit. There were questions from the group about the \$500 limit. There was also some discussion about the county plans and endorsement. Mr. Hack said the counties would have to determine how much these would be. Ms. Hankins explained that the funds are to help applicants begin to access. This is not to incur typical business cost. It is just for getting started. There was more questions/ discussion as to whether this program is for marketing or advertising. Ms. Hankins summarized.

**Hay & Grain Storage** - Joel Neaveill presented a draft of the hay and grain storage program. He told us that this is bottom up development from, specifically Metcalfe and Taylor counties. Maximum \$5,000 for specific investment items for both hay and grain. He told us that the requirements in this program are a little more strict. The applicant's degree of tobacco dependence is a critical key. An administrative entity will evaluate by point system, not first come, first served. We are trying to get funding to those who are not practicing good forage maintenance in an effort to improve hay quality. There was some group discussion and comments.

David Kash asked if these hay structures could be used later to store other things. Steve Moore asked if it could be changed to commodity storage. There was group discussion. Mr. Neaveill told the group that the fund distribution is difficult/ education requirements; 50% approved receipts of improvement; Agricultural Policy reporting requirements, etc. Mr. Neaveill asked the group to forward further comments to him. Jim Naïve told us that we already have a lot of storage facilities with the loss of tobacco production. Mr. Neaveill suggested conversion of tobacco barns. Mr. Neaveill clarified, telling us that we don't usually cost share labor. There was further discussion and explanation on contractors labor and materials, and cost share.

### **New Business:**

Alice Baesler announced the Agricultural Summit on November 12 and told us they are expecting about 400 people.

Susan Goddard announced the Farm Family Expo's scheduled for January 11<sup>th</sup> and January 16<sup>th</sup>.

### **Next Meeting:**

No date set

### **Adjourn:**

2:35pm